

**Statement of The Honorable Linda M. Combs
Controller, Office of Federal Financial Management
Office of Management and Budget**

**Before the
Subcommittee on Government Management, Finance and Accountability
House Government Reform Committee
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Chairman Platts, Congressman Towns, and Members of the Committee.

Thank you for the opportunity to appear before you again to discuss the Financial Management Line of Business initiative (FMLOB). I am pleased to provide you with an update on the FMLOB and describe how recent accomplishments bring us closer to our overarching objective of ensuring that Federal managers have accurate and timely financial information for decision-making.

Since I last testified, a great deal has been accomplished. I will briefly mention each accomplishment and then touch upon some in more detail during the remainder of my testimony.

1. Released a draft of the Migration Planning Guidance and received several hundred comments from agencies, commercial service providers, and others. We are currently reviewing and updating the Migration Planning Guidance based on these comments.
2. Released, in conjunction with the draft Migration Planning Guidance, a memorandum presenting a “Competition Framework for Financial Management Lines of Business Migrations” signed by myself, Karen Evans (Administrator, Office of E-Government and Information

Technology), and Robert Burton (Associate Administrator, Office of Federal Procurement Policy).

3. Continued ongoing efforts with the Common Government-wide Account Code and the Standard Business Process projects.

None of these tasks could have been performed without the commitment, support, and input from the Federal financial management community from both the public and private sectors. And as I indicated earlier, we have received several hundred comments and questions on our guidance. Each comment is being addressed by the full-time, dedicated, and accountable staff at the Financial Systems Integration Office (FSIO) working in conjunction with the Chief Financial Officer (CFO) and Chief Information Officer (CIO) communities. FSIO has been assigned the FMLOB project management responsibility under the direction of the CFO Council FSIO Transformation Team. As the day-to-day managers of the FMLOB, FSIO coordinates all of the FMLOB projects to ensure that they are completed timely and meet the goals of the FMLOB and the policies set by the Office of Management and Budget (OMB).

The Migration Planning Guidance (the Guidance) has been the most significant document prepared and released publicly by the FMLOB and FSIO. The Guidance supports the FMLOB vision to improve the cost, quality, and performance of financial management systems by leveraging shared service providers¹ and implementing other government-wide reforms that foster efficiencies in Federal financial systems and operations. Its purpose is to help agencies prepare for and manage a migration of their

¹ A shared service provider is an entity that provides services (e.g., financial management) to multiple organizations.

financial management system operations to a shared service provider by outlining provider and client responsibilities.

The Guidance is comprised of six chapters as follow:

- Chapter 1 - Overview and Frequently Asked Questions: In addition to general background on the Guidance and FMLOB, this section answers questions from customer agencies, shared service providers, and others about the vision, requirements, implementation, and risks of migrating to a share service provider.
- Chapter 2 - Procurement Guidance Tools: This section contains information on the capabilities required of shared service providers, includes the OMB guidance on FMLOB competitive migrations, contains procurement templates (some of which are still under development), and includes a series of proposed performance measures to assist in measuring the performance of shared service providers.
- Chapters 3 – 6 – Other tools: These sections contain general tools for change management and project management; describe the types of services offered by the FMLOB shared service providers; and defines terms and acronyms referenced in the FMLOB guidance.

FSIO have received over 700 written comments on this material and has been working feverishly with my staff to respond to each comment. While we don't have answers for every comment, you have my commitment that we will continue to work over the next several months until we have addressed them all.

I would like to briefly touch upon the Competition Framework for Financial Management Lines of Business Migrations which has raised a number of questions from this Subcommittee as well as the public and private sector. The Competition Framework informs on three areas. First, the guidance reiterates OMB's policy that, with limited exception, an agency seeking to upgrade to the next major release of its current core financial management system or modernize to a different core financial management system must either migrate to an shared service provider (public or private), or be designated as a shared service provider. Second, the guidance clarifies that agencies must, at a minimum, consider pursuing hosting and application management services as part of its FMLOB migration. Finally, the guidance provides a framework for public - private competition and reminds agencies that, in most cases, consideration must be given for existing "in-house" support for core financial management operations. OMB believes that the routine use of competition as part of the migration process will help agencies to maximize value by considering alternative solutions in a reasoned and structured manner to select the best available public or private provider of financial management services.

OMB's framework for public-private competition is consistent with Section 842(a) of P.L. 109-115 which prohibits, with limited exceptions, an executive agency from converting work performed by more than 10 full-time equivalents (FTEs) employees to private sector performance absent a showing, through competition, that performance by a contractor would be less costly to the agency. Specifically, agencies must follow Circular A-76 for FMLOB migrations that are conducted through public-private competition and involve the potential transition of activities currently performed by more than 10 FTEs in the customer agency. Regardless of how many FTEs are

impacted, all agencies are required to prepare an Exhibit 300 which defines the proposed cost, schedule, and performance goals for the financial system investment if funding approval is obtained.

The approach we have taken with the FMLOB, and all of its underlying projects, is one that has been open and transparent. We continue to incorporate the most current thinking in financial systems and operations as well as to gain buy-in from the individuals, agencies, and commercial partners who are responsible for implementing the FMLOB vision. The private sector panel that testified before this Subcommittee in March indicated that they support the FMLOB. This has been the general feedback that I continue to hear from all of my colleagues.

As I stated when I last testified, more must be done to advance the objective of having accurate and timely financial information for decision-making, particularly with respect to implementing financial systems. The FMLOB is our opportunity to strengthen how we select, implement, and operate the government's financial systems. By doing so, the Administration is asking that agencies consider the investment risks, implementation risks, and lifecycle costs when they perform their analysis. As with any new initiative, there will be questions and some uncertainty. I remain committed to answering those questions and keeping this initiative open and transparent to all of its stakeholders.